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EX PARTE OR LATE FILED

VIA MESSENGER

August 12, 1998

Ms. Magalie Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

Re: Ex Parte Contact
CC Docket No.95-182

ORIGINAL

Dear Secretary Salas:

Enclosed please find an original and one copy of this letter disclosing an Ex Parte meeting. Also enclosed is an extra copy which I request be marked as received and returned to the messenger.

On August 11, 1998, I met with Kevin Martin, Legal Advisor to Commissioner Furchtgott-Roth on behalf of ATU-Long Distance and Alaska Network Systems. I discussed Tariff 11 issues, including the companies' concern that the rates are very high and the FCC has not investigated them. I am filing with this letter written material submitted to his office relating to Tariff 11.

Sincerely,

BIRCH, HORTON, BITTNER AND CHEROT

Elisabeth H. Ross

Elisabeth H. Ross

Enclosure

cc: Kevin Martin

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ALASKA LONG DISTANCE MARKET ISSUES

Achieving competition in Alaska has always involved major intervention from regulators, considering the unique way in which the telephone system developed.

GCI was the first (and is still the primary) company to compete with Alascom. It received authority to serve the interstate market around 1982. Shortly thereafter, in 1983, the State of Alaska (with GCI's encouragement) asked the FCC to begin a comprehensive investigation into the long distance market structure in Alaska to determine how best to develop long distance competition while still preserving universal service at affordable rates. GCI said that it could not compete against the subsidy that AT&T was providing Alascom through revenue pooling and rate averaging. The FCC appointed a Federal State Joint Board and instituted a very long and complicated investigation into the Alaska long distance market structure in CC Docket 83-1376.[1] The Joint Board analyzed costs of service, reviewed multiple sets of comments over many years, and weighed different policy objectives.

In the end, the Joint Board recommended, and the FCC adopted, a list of changes in the market[2]. These included: termination of the Joint Services Arrangement (JSA), a requirement that AT&T provide MTS and WATS service between Alaska and the Lower 48at integrated rates under the terms and conditions applicable to AT&T's Lower 48 service; and a requirement that Alascom offer its facilities to competing carriers under a rate of return regulated interstate tariff at reasonable and non-discriminatory rates (Tariff 11). The FCC found that the JSA was no longer compatible with a competitive multi-carrier, interexchange market - competitors could not compete against the shared cost/revenue arrangement. It also found that Alascom should be required to open up its facilities to resellers, considering that the high costs of serving Alaska would discourage other carriers from entering the market.

Despite early efforts by the FCC there are not any viable means (reasonable wholesale or resale rates) for resellers to come into the market. On the interstate side, AT&T Alascom filed Tariff 11 prices for competitors in 1995 and has filed new and higher rates annually for three years. Although the FCC has issued orders initiating investigations into each set of rates based on competitors' complaints that the rates were too high, it has never actually started any of these investigations. The tariff which was intended to get resellers into business has actually functioned as a barrier to entry, because the rates are too high and have never been reviewed.

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[1] In the Matter of Rates and Services for the Provision of Communications by Authorized Common Carriers Between the Contiguous States and Alaska, Hawaii, Puerto Rico and the Virgin Islands ("Alaska Market Structure Inquiry").

[2] See, Memorandum Opinion and Order, CC Docket No. 83-1376, rel. May 24, 1994 (9 FCC Rcd 3023); Final Recommended Decision, CC Docket No. 83-1376, rel. Oct. 29, 1993 (9 FCC Rcd 2197).

The FCC has pushed hard for changes in the Alaska long distance market structure to improve the opportunity for competition. The vibrant competitive market that the policy makers envisioned has not developed, but the potential is certainly there. We appreciate Commissioner Furchtgott-Roth's interest in Alaska, and hope that this background paper provides insight into problems in the long distance market structure which could continue to be addressed through regulatory action.